No. 2792

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

POMONA FRUIT GROWERS' EXCHANGE,
Defendant, Appellant,

vs.

FRED STEBLER,
Complainant, Appellee.

APPELLANT'S BRIEF

N. A. ACKER,
Solicitor for Appellant

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

POMONA FRUIT GROWERS' EXCHANGE,
Defendant, Appellant,
vs.
FRED STEBLER,
Complainant, Appellee.

In Equity
No. 2792

BRIEF OF APPELLANT POMONA FRUIT GROWERS EXCHANGE.

This case comes before this Court on an Appeal from the Final Decree made and entered in the above entitled suit on the 6th day of December, 1915, by the District Court of the United States for the Southern District of California, Southern Division, and by which decree the above entitled suit and thirty companion suits were dismissed on motion of Complainant, and with costs to the Complainant in each of said cases.

For an understanding of the issues involved herein, it is deemed advisable to give a brief history

of the litigation up to the time of the entry of the final decree, more especially so, as there is involved herein thirty other companion cases in which final decrees have been entered dismissing the bills and awarding costs to the Complainant, and which cases, under agreement between the parties, are to abide by the decision of this Court rendered in connection with the present appeal.

The present appeal is the outgrowth of Equity Suit No. 1562, Stebler vs. Riverside Heights Orange Growers Association and George D. Parker, for infringement of United States Reissue Letters Patent No. 12297, granted Robert Strain under date of December 27, 1904, for an improved Fruit Grader, said Letters Patent having been duly assigned to Complainant. The Bill of Complaint in said action was filed on the 24th day of May, 1910. Answer was duly filed, testimony taken and final hearing had before His Honor, Olin Wellborn, and decision rendered holding non-infringement of claims 1 and 10 (the same being the only claims involved), and decree entered dismissing the bill.

The Complainant to said action thereupon perfected an appeal to this Court, which appeal was duly heard and decision rendered reversing the decision of the lower Court. This decision is reported in 205 Fed. p. 735.

Thereafter, and before a reference was had to the Master for an accounting, the Complainant to said action—Fred Stebler, appellee herein, filed in the District Court for the Southern District of California, Southern Division, thirty-one suits (of which

the foregoing is one) against sundry defendant users of the infringing machines manufactured and sold by George D. Parker, one of the defendants to said Equity suit No. 1562, and threats were made as to the institution of a number of additional suits against other users of the infringing machines manufactured and sold by said George D. Parker.

After the filing of said thirty-one suits, motion was made by defendant, George D. Parker, to Equity suit No. 1562, for an order restraining the prosecution of said suits so filed against the users and for an injunction against the filing of additional threatened suits against other vendee users of the machines manufactured and sold by the said George D. Parker. This motion was duly heard, and an order made by His Honor, Olin Wellborn, restraining the prosecution of said suits, and enjoining the filing or commencement of additional suits against the customers of the said George D. Parker.

Thereafter, an appeal was taken to this Honorable Court from the order so made by the lower Court, and, after hearing, this Court rendered its decision sustaining the decision of the lower Court. This decision is reported in 214 Fed. p. 550.

Thereafter a reference to a Master was had, and an accounting taken in said suit No. 1562, and the Master rendered his report to the Court, under date of September 29th, 1915, as to the number of infringing machines manufactured and sold by the defendant—George D. Parker, and recommending the damages and profits payable by the said George D. Parker unto the Complainant, Fred Stebler. Under said accounting, the Master found the dam-

ages and profits payable by the said George D. Parker for all the infringing machines sold to and used by the vendees thereof, including the Appellant herein, and equally so those sold to and used by the defendants to the other thirty suits filed by said Fred Stebler against the vendee users of the infringing machines.

Upon due proceeding had, the Master's report was confirmed by the Court and judgment entered accordingly.

The judgment for said profits, damages and the costs in said suit No. 1562 was duly satisfied and fully paid by said defendant, George D. Parker.

After the satisfaction and full payment of all profits, damages and the costs as above set forth, and before any proceedings were had in connection with the present appeal case, the defendant to this suit, and the defendants to each of the other thirty pending suits, on the 29th day of November, 1915, by a motion entitled—

FRED STEBLER,
Complainant,
vs.
POMONA FRUIT GROWERS EXCHANGE,
Defendant,
and
FRED STEBLER,
Complainant,
vs.
SUNDRY DEFENDANTS.

In cases Nos. A-43, 45, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 62, 63, 64, 65, 66, 67, 70, 71, 73, 74, 75, 76, 77, 78, 86, 90, A-8, No. Division and Cir. Ct. No. 1675.

moved for a dismissal of the above suits, and each of them, with costs to the Defendants.

This motion was duly heard by His Honor, Oscar A. Trippet, on the 29th day of November, 1915, and the motion for an order dismissing the said suits with costs to the Defendants, was denied.

After the denial of said motion of Defendants, the Complainant voluntarily asked for the granting of an order dismissing the said thirty-one suits, and each thereof, with costs to Complainant, which order the Court then and there granted, and final decrees entered and recorded Dec. 6th, 1915.

Defendants' motion for order of dismissal of suits with costs to defendants, appears on page 3 of the record.

Minute order of Court denying motion of Defendants and granting motion of Complainant for dismissal of suits with costs to Complainant, appears on record p. 6.

Final Decree, record p. 8.

Stipulated statement of proceedings, record p. 9.

Assignment of Errors, record p. 15.

ARGUMENT.

The motion of Defendants for dismissal of the pending thirty-one suits, with costs to the defendants, was based on the ground that no matter was pending before the Court for determination relative to the question of infringement and validity of patent, inasmuch as in the main suit No. 1562, an ac-

counting had been had, and full recovery of damages, profits and costs made, for the machines involved in each of said suits, and on the further ground that no necessity, legal or otherwise, existed prior to the accounting, against the defendants to Equity Suit No. 1562 for the institution of suit against the defendant vendee herein and the vendee defendants to the thirty other suits involved in the said motion for dismissal. In other words, the filing of said suits was a needless act, inamuch as complainant had full knowledge that the machines used by the various vendee defendants were machines purchased from the manufacturer, George D. Parker, one of the defendants to Equity Suit No. 1562; and at the time of the filing of said suits, the complainant, Fred Stebler, Appellee herein, was fully advised by the decision of this Court, that the said machines manufactured and sold by the said George D. Parker to the vendee users constituted an infringement of Reissue Letters Patent No. 12297, such knowledge being gained through the decision of this Court, 205 Fed. 735. Complainant had also the further knowledge that the said George D. Parker, one of the defendants to Equity Suit No. 1562, was amply able to respond to all damages, profits and cost which the Court might award, based on the Master's report on accounting, and equally so Complainant to said actions knew that the said George D. Parker had undertaken to hold harmless the purchasing users of his machines. With such knowledge on the part of the Complainant at the time of the filing of the said thirty-one suits against the vendee users of the Parker machines, only one

reason existed for the filing of this large number of suits after an adjudication of infringement against the manufacturer of said machines and prior to an accounting, which reason could only be a desire to annoy, embarrass and harass a competitor in business.

After the decree in Equity Suit No. 1562, the matter was referred to a Master of the Court, to ascertain and report to the Court the amount of such damages, and also the amount of such gains, profits and advantages, and, as stated, under such accounting all profits and damages for the machines previously adjudged to be an infringement and involved in the thirty-one suits subsequently filed by Appellee herein, and embraced in the Defendant's denied motion to dismiss with costs, would have been accounted for and were so accounted for by the manufacturer, Parker, one of the defendants to Equity Suit No. 1562.

This Court, in its decision, 214 Fed. 550, sustaining the decision of the lower Court restraining the prosecution of these thirty-one suits, and enjoining the filing of additional suits, held that these infringing machines, in the possession of purchasing users, were free of the monopoly of the patent, on the manufacturing infringer thereof settling with the Complainant for full damages and profits. Such being the case, no reason existed for the institution of said suits until the manufacturing infringer had been given an opportunity to respond under an accounting.

As stated by this Court in its decision, 214 Fed. p. 553, "To permit the plaintiff, under such circum-

stances, to institute and maintain suits against vendees of the defendant, to whom the infringing machines have passed, would, it is obvious, be harassing, annoying and expensive."

On page 554 of the reported decision, the following language is used, "a decree against the defendants for the profits which they received by reason of the sale of the infringing machines, together with whatever damages the plaintiff may have suffered by reason thereof, must be held to vest the right to the use of the machines in the defendants' vendees free from any further claim by the patentee."

It is thus clear from the decision of this Court, that the thirty-one suits against the vendees of the manufacturer (of whom the appellant is one) against whom suit for infringement was at such time pending, should never have been instituted or filed. Such being the case, said suit instituted against appellant, and equally so the other thirty suits instituted against the vendees of the manufacturer prior to the accounting, should have been dismissed on motion of the defendants after the judgment for profits, damages and cost had been satisfied by the manufacturing infringer, and which satisfaction was made prior to the filing of the motion on behalf of appellant and the other thirty defendants for dismissal of the thirty-one pending suits instituted against the said vendees of the infringing manufacturer, one of the defendants to Equity Suit No. 1562.

In the present case the motion made on behalf of defendant appellant herein and equally so on behalf of the defendants to the other thirty pending suits

for dismissal with costs to the defendants, was not only denied, but a similar motion on behalf of the complainant to said suits, for dismissal with costs to the complainant, was granted, and a final decree entered in this case and each of the other thirty suits based on the granting of said motion and adjudging as to this appellant "that Complainant recover of and have judgment against Defendant for the sum of Thirty-six and 20/100 Dollars, Complainant's costs and disbursements herein."

A portion of these costs and disbursements consists of the sum of $20, Solicitor's docket fee, and the same sum as Solicitor's fee was allowed as a portion of the costs and disbursements provided for in each final decree entered in the other thirty dismissed suits. Objection was made to the allowance of costs to the Complainant, not only in argument before the lower Court, but equally so before the Clerk against the inclusion in the taxation of costs of a Solicitor's docket fee of twenty dollars.

Our second assignment of error is directed to the granting of Complainant's motion to dismiss the suits, with costs to Complainant, and the third assignment of error is to the allowance unto Complainant, as a portion of costs of a Solicitor's fee of Twenty (20) Dollars.

Although the decision of this Court in Case No. 2394—214 Fed. 550, expressly states that the plaintiff, under the circumstances herein set forth and known to the plaintiff at the time of instituting suits, should not be permitted to institute and maintain suits against the customers of the defendant

manufacturer, we nevertheless find herein the appellant penalized for the Complainant Appellee doing that which he should not have done and, additionally, called upon to contribute to the financial account of the Complainant's solicitor to the extent of $20.00—solicitor's docket fee. In the case at issue the amount is small, viz. $36.20, but when consideration is given to the fact that thirty-one suits were involved in the motion of dismissal and thirty of which abide the decision of this appeal, we find the defendants called upon to contribute to the solicitor alone the sum of 31 × 20 or $620.00 as solicitor's docket fee, and additionally to the Complainant the sum of $551.25, representing costs, exclusive of the solicitor's docket fee; for in the present appeal case said costs, exclusive of solicitor's docket fee amounts to $16.20 and in the other said thirty cases involved in Defendant-Appellant's denied motion for dismissal and Complainant-Appellee's granted motion of dismissal with costs, the costs are as follows:

Case A-43, $16.75; A-45, $15.10; A-49, $17.10; A-50, $17.75; A-51, $19.20; A-52, $19.60; A-53, $15.20; A-54, $17.70; A-55, $17.70; A-56, $19.20; A-57, $16.10; A-58, $19.75; A-62, $18.10; A-63, $13.20; A-64, $17.40; A-65, $17.40; A-66, $16.30; A-67, $19.75; A-70, $16.20; A-71, $17.10; A-73, $17.10; A-74, $17.10; A-75, $19.65; A-76, $19.65; A-77, $39.20; A-78, $19.75; A-86, $16.20; A-90, $19.00; A-8, $15.20; and No. 1675, $26.00. A total sum of $551.25, exclusive of the solicitor's docket fee of $20 allowed in each case.

It is this sum of money, $551.25, plus the sum of $620.00 solicitor's docket fees, or a total of $1171.25, which the defendants to said dismissed suits are called upon to pay under the final decrees entered; not as costs of litigation, but for the Complainant doing a needless act, an act which this Court stated in its decision in the case of Riverside Heights Orange Growers Association, et al, supra, should not be permitted, and which amount is to be paid by the manufacturer-infringer in addition to the damages, profits and costs heretofore paid.

In defendant-appellant's motion for dismissal, record p. 3, the above mentioned cases were made a part thereof, and that these are the cases referred and which were involved in appeal case 2394 of this Court—Riverside Heights Orange Growers Association, et al, supra (division reported 214 Fed. 550), see stipulated Statement of Proceedings, record p. 9, last paragraph of p. 12.

It is these cases which this Court held should not have been instituted, and sustained the injunctive order of the lower Court against the institution of additional suits of like character against the users of the infringer manufacturers' machines.

If under the decision of this Court, suits should not be permitted to be instituted against the vendee of a defendant manufacturer against whom suit is pending, it is difficult to understand upon what sound reasoning defendant vendees and through the vendees the manufacturer infringer should be penalized when such suits are instituted.

Here we find thirty-one such suits were instituted, and the attorney for the Complainant, if the lower Court's decision is sustained, is to be enriched thereby to the extent of $620.00 for the doing of a needless act and the doing of that which this Court has stated should not be permitted.

To sustain the decision of the lower Court in the present case is to establish that which appeals to the cupidity of practitioners, for it would sanction the filing of suit for infringement against an infringing manufacturer, and after decision of infringement obtained and reference to a Master being had, to institute innumerable suits against infringing vendee users of the manufacturer defendant, and at a later date and after settlement for profits and damages by the infringing manufacturer for the machines in the possession and use of his vendees, to collect from each defendant vendee a solicitor's docket fee of $20 besides costs. Here we have thirty-one of such filed suits, the solicitor's docket fees amounting to $620. In another case there may be involved suits against 200 such vendees, in which case the solicitor for the Complainant would receive as docket fees alone the sum of $4000.

We do not believe equity sanctions any such procedure.

Here, the above case and each of the thirty other cases embraced in Defendant-Appellant's motion for dismissal and which were involved in appeal case No. 2394 of this Court, after the denial of defendant's motion for the dismissal of this and each of the said thirty cases referred to in the motion for

dismissal, was voluntarily dismissed by the Complainant, there being at the time of such voluntary motion for dismissal no question open for final hearing. Thus, no final hearing was ever had. It being a voluntary dismissal of a suit, and of a series of co-pending suits, which under the decision of this Court rendered in connection with appeal case No. 2394 should not have been instituted, no costs should have been allowed unto the Complainant; but, on the contrary, costs should have been allowed unto the Defendant-Appellant for the unnecessary expense to which it had been placed relative to a needless act of the Complainant.

We believe our third assignment of error is well founded in law and should be allowed.

Inasmuch as Complainant voluntarily dismissed the above appealed case, and each of the co-pending thirty companion cases embraced in Defendant's motion for dismissal, no solicitor's docket fee should have been allowed. The dismissal was a voluntary act of the party Complainant.

Sec. 924 of the Revised Statute provides "On a trial before a jury, in civil or criminal causes, or before references or on a final hearing in equity or admirality, a docket fee of twenty dollars."

There having been no final hearing of the present appealed case (for a voluntary dismissal can not be treated as a final hearing), there should not have been granted an allowance of a solicitor's docket fee of Twenty dollars. To constitute a final hearing in equity within the meaning of section 824 of the Re-

vised Statutes, there must be a hearing of the cause on its merits.

No docket fee is taxable in a suit in equity voluntarily discontinued by the complainant.

Consolidated Burying Apparatus Co. vs. American Process Fermentation Co., 24 Fed. 658.

Yale Lock Manufacturing Co. vs. Colvin, 14 Fed. 269.

We submit that our fourth assignment of error is well founded in law and should be allowed.

Inasmuch as under the decision of this Court in Appeal Case No. 2394, Stebler vs. Arlington Heights Orange Growers Association, et al., supra, suit against this Appellant and the Defendants to the companion suits embraced in Defendant-Appellant's motion for dismissal and involved in said Appeal Case No. 2394, should not have been instituted, the lower Court should have granted Defendant-Appellant's motion for dismissal.

We, therefore, submit that our first assignment of error is well founded and should be allowed.

As this suit and its companion thirty suits should not have been instituted in accordance with the decision of this Court, *re* Appeal Case No. 2394, it follows that the Defendant-Appellant and the De-

fendants to the said thirty companion suits should not be penalized by being required to pay unto Complainant his costs for the doing of said needless acts, to-wit, for the institution of suits which this Court stated should not have been instituted and upheld the injunctive order prohibiting the institution of additional suits of a like character.

We submit that our second assignment of error is well founded and should be allowed.

It is submitted that the penalizing of the Defendant-Appellant herein and the Defendants to the companion thirty suits for acts of the Complainant needlessly done, is a plain abuse of discretion, and we submit that under the circumstances of this case, the lower Court was not warranted in refusing to grant the Defendant's motion for dismissal of the present case and the said companion thirty cases embraced in said motion.

Respectfully submitted,

N. A. Acker,

Solicitor and Counsel for Appellant.